National Forge Company
Irvine Plant
Balance Sheet
(dollars in thousands)

	September 30, 1999 Actual	September 30, 1998 Restated
ASSETS		
Current Assets:		
Cash and cash equivalents	$49	$4,051
Accounts receivable	10,409	10,146
Intercompany receivables	416	161
Inventories:		
Work in process	11,656	11,474
Raw materials	1,003	1,042
Supplies	2,072	2,144
Total Inventories	14,731	14,660
Prepaid expenses	784	1,279
Deferred income taxes	0	306
Total Current Assets	26,389	30,603
Property, Plant and Equipment - net	25,894	23,688
Investment in Subsidiaries	6,772	6,807
Deferred Income Taxes	0	6,236
Other Assets	8,552	9,075
Goodwill	4,167	4,368
TOTAL ASSETS	$71,774	$80,777
LIABILITIES		
Current Liabilities:		
Notes payable	2,595	$0
Current portion of long term debt	3,229	4,920
Accounts payable	3,536	3,505
Salaries, wages and commissions	2,574	2,612
Accrued taxes on income	315	(94)
Accrued pension	17	58
Customer deposits	216	243
Other accrued liabilities	5,044	4,388
Total Current Liabilities	17,526	15,632
Long Term Debt	13,076	16,306
Pension and Other Noncurrent Liabilities	(805)	297
Postretirement and Postemployment Benefits Other Than Pensions	32,906	32,805
Intercompany Payables	8,164	9,580
TOTAL LIABILITIES	70,867	74,620
SHAREHOLDERS' EQUITY		
Common Stock	0	0
Additional Paid in Capital	1,601	1,601
Retained Earnings	(725)	5,062
Minimum Pension Liability Adjustment	0	(571)
Foreign Currency Translation Adjustment	31	65
TOTAL COMMON SHAREHOLDERS' EQUITY	907	6,157
TOTAL LIABILITIES AND EQUITY	$71,774	$80,777
WORKING CAPITAL	$8,863	$14,971

NFC Irvine Plant also includes the results of National Forge Export, LTD. and NFIP, Inc.

Prior periods have been restated to reflect inventory calculated on a FIFO basis.

P194

LLC: 10/21/99

National Forge Company

Irvine Plant

Statement of Cash Flows

Period Ended September 30, 1999 and September 30, 1998

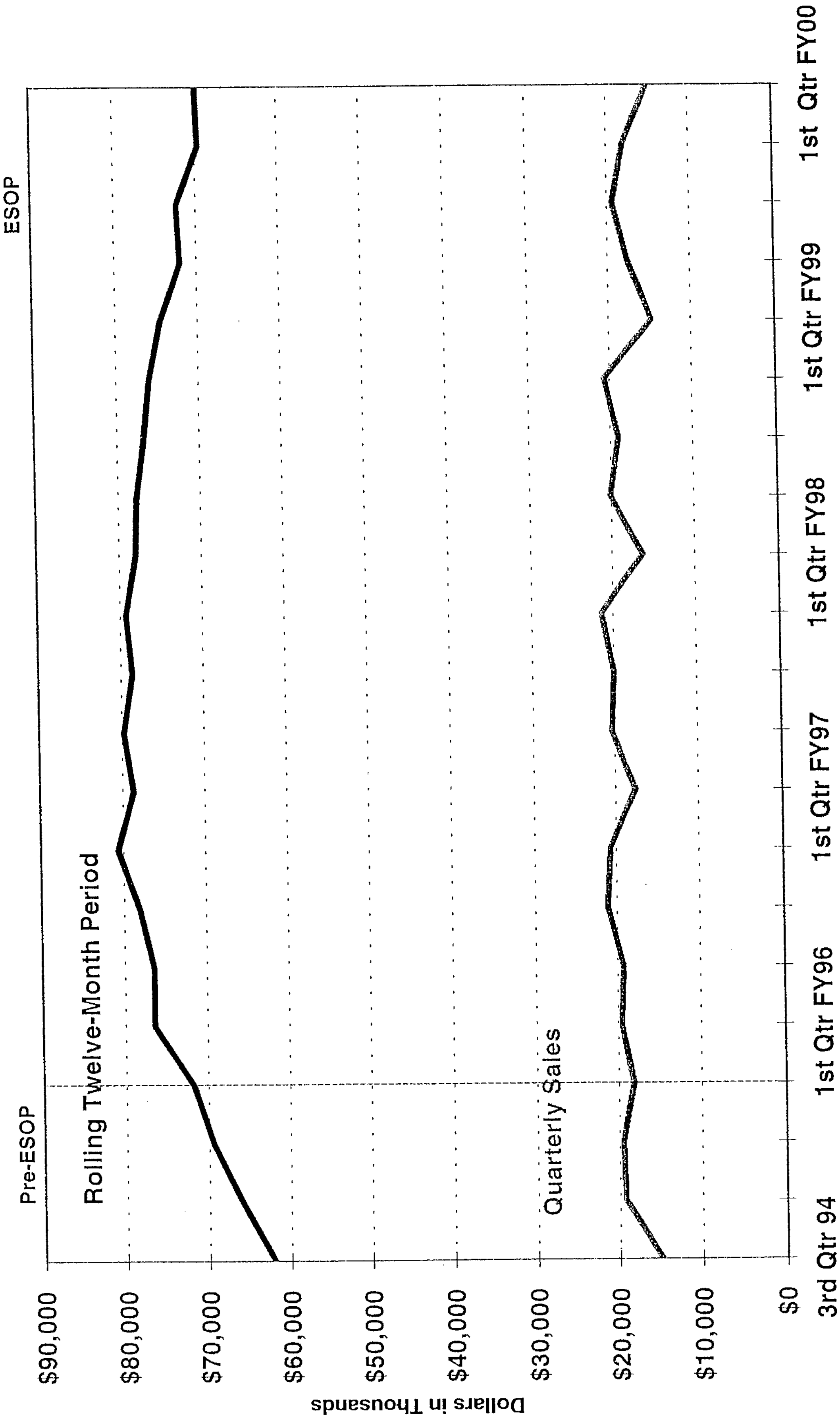
(dollars in thousands)

	First quarter	
	FY 2000	FY 1999
Cash Flows From Operating Activities:		
Net income (loss)	**($259)**	$433
Adjustment to reconcile net income to net cash provided by operating activities:		
Provision for Common Stock to be issued to the ESOP Trust	**1,365**	1,235
Depreciation	**702**	598
Amortization	**181**	184
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	**1,207**	2,365
(Increase) decrease in inventories	**(1,267)**	(611)
(Increase) decrease in prepaid expenses	**(711)**	(721)
Increase (decrease) in accounts payable	**341**	49
Increase (decrease) in income taxes	**(115)**	(94)
Increase (decrease) in customer deposits	**150**	16
Increase (decrease) in all other current liabilities (excluding borrowings)	**(2,310)**	(3,043)
Other net	**233**	2
Net Cash Provided By (Used For) Operating Activities	**(483)**	413
Cash Flows From Investing Activities:		
(Additions) reductions of property, plant and equipment	**(809)**	(1,389)
Net Cash Used In Investing Activities	**(809)**	(1,389)
Cash Flows From Financing Activities:		
Additional (repayment of) borrowings	**1,002**	(645)
Increase (decrease) in intercompany account	**(54)**	(423)
Net Cash Provided By Financing Activities	**948**	(1,068)
Change in cumulative foreign currency translation adjustment	**45**	21
Increase (Decrease) In Cash And Cash Equivalents	**($299)**	($2,023)

NFC Irvine Plant also includes the results of National Forge Export, LTD. and NFIP, Inc.

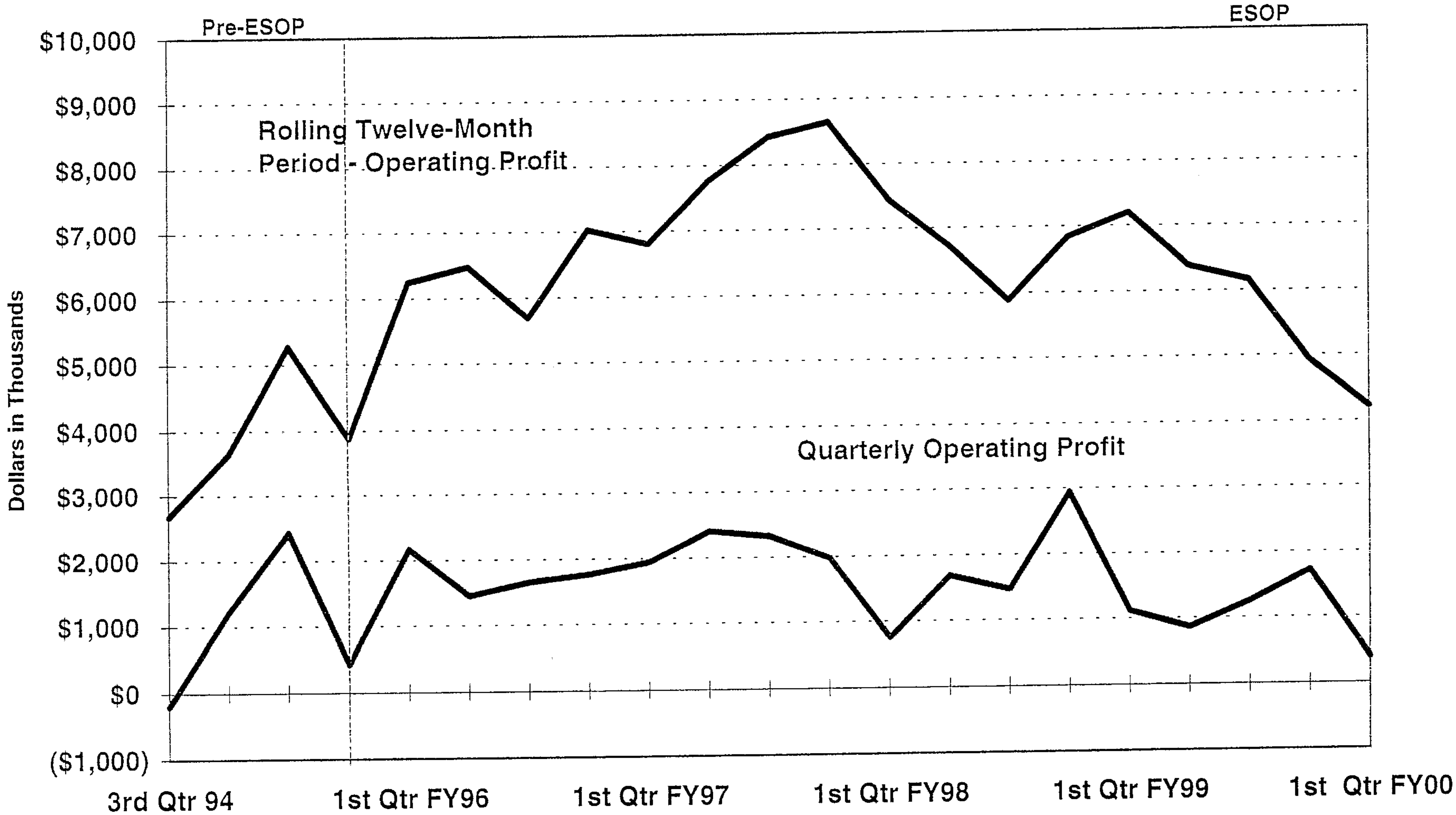
National Forge Company
Irvine Plant

Sales

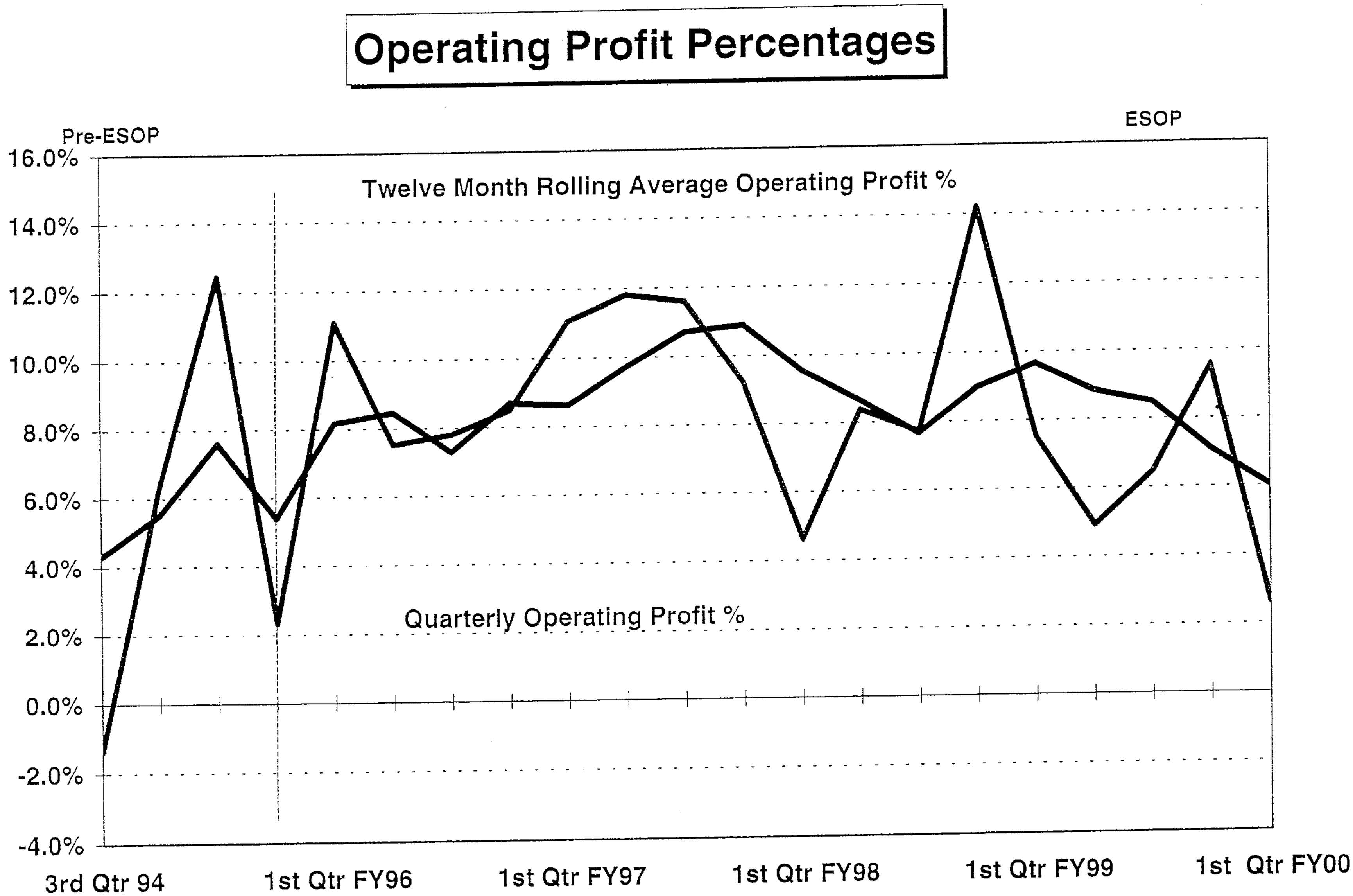


National Forge Company
Irvine Plant

Operating Profit in Dollars

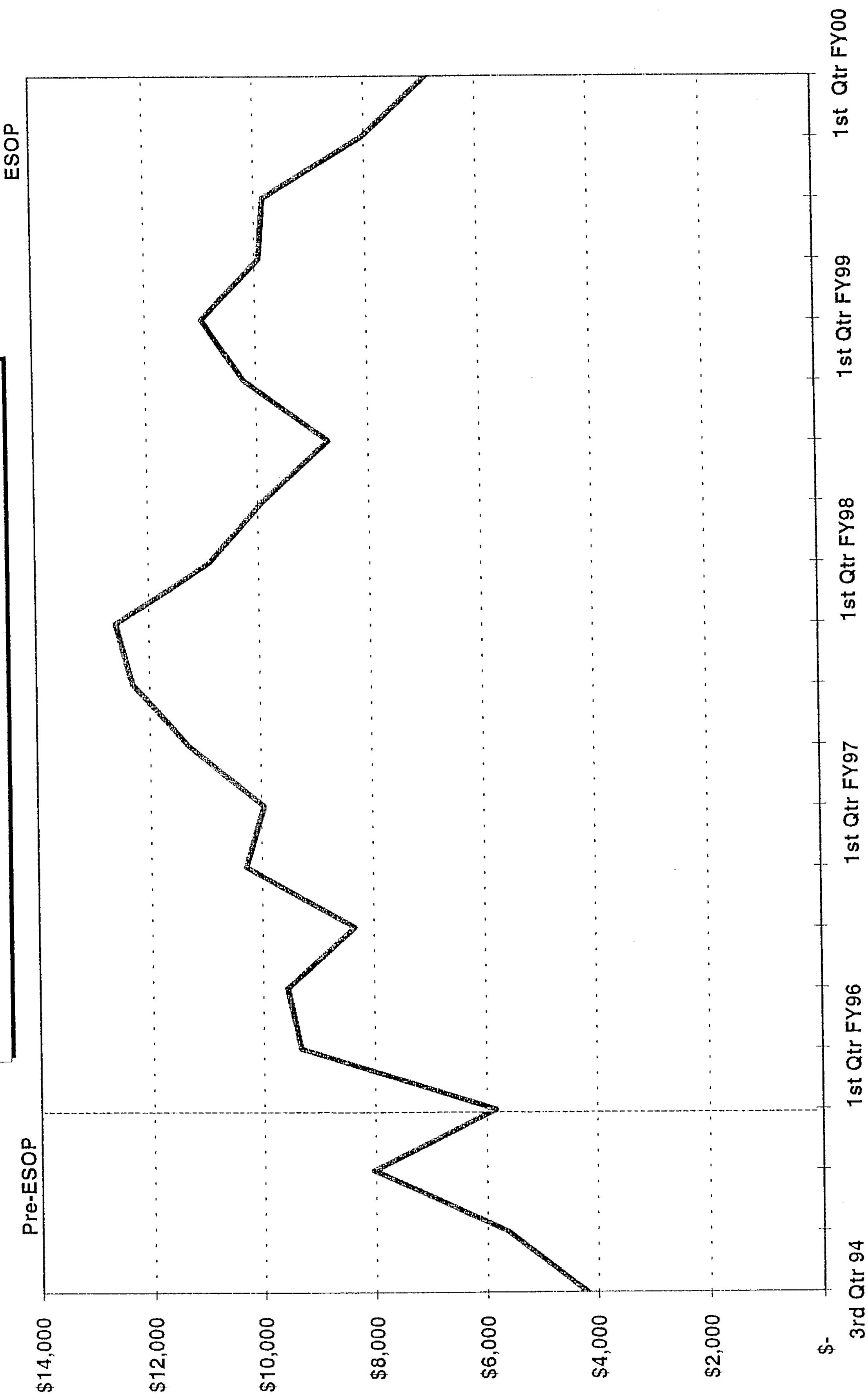


National Forge Company
Irvine Plant



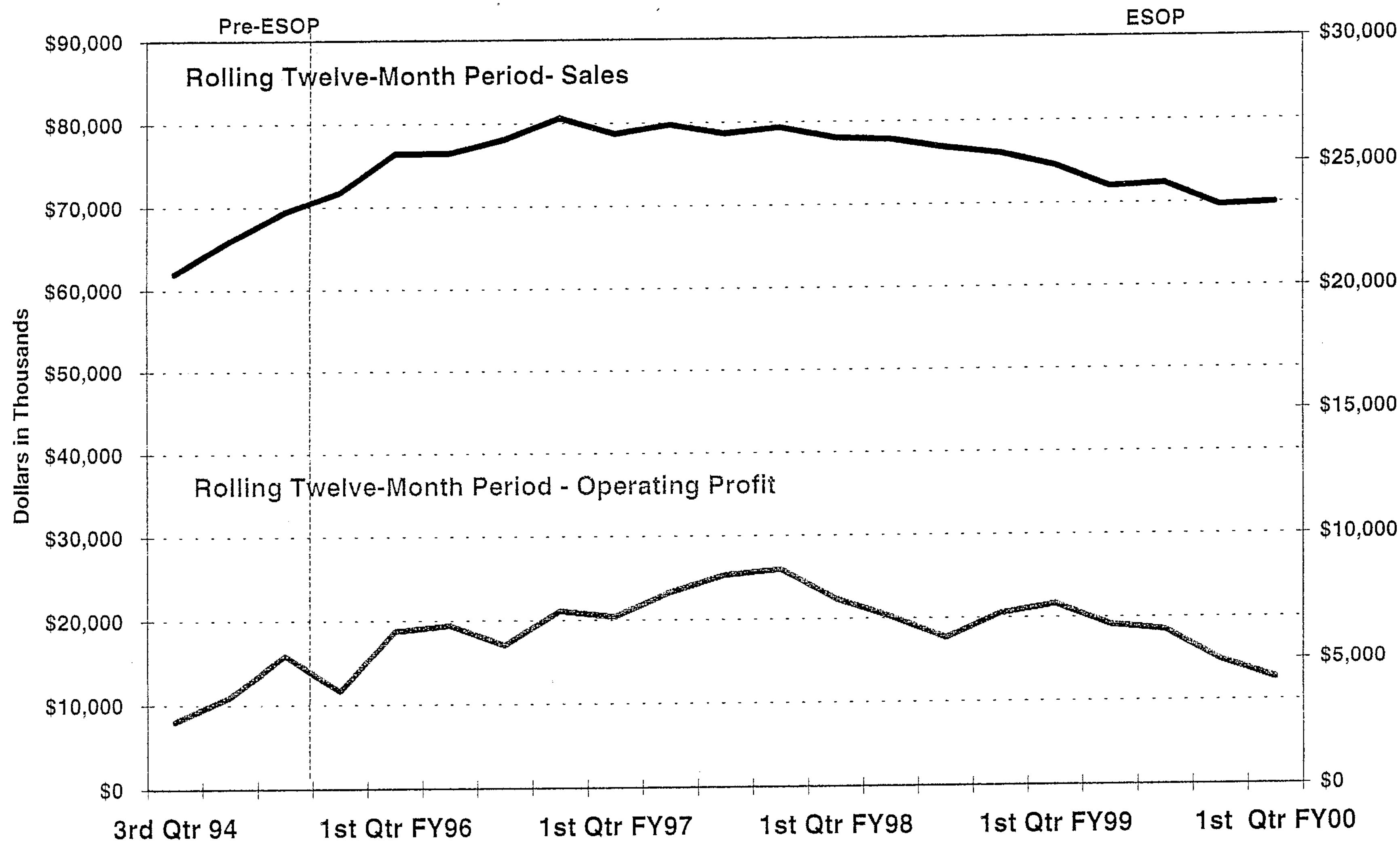
National Forge Company
Irvine Plant

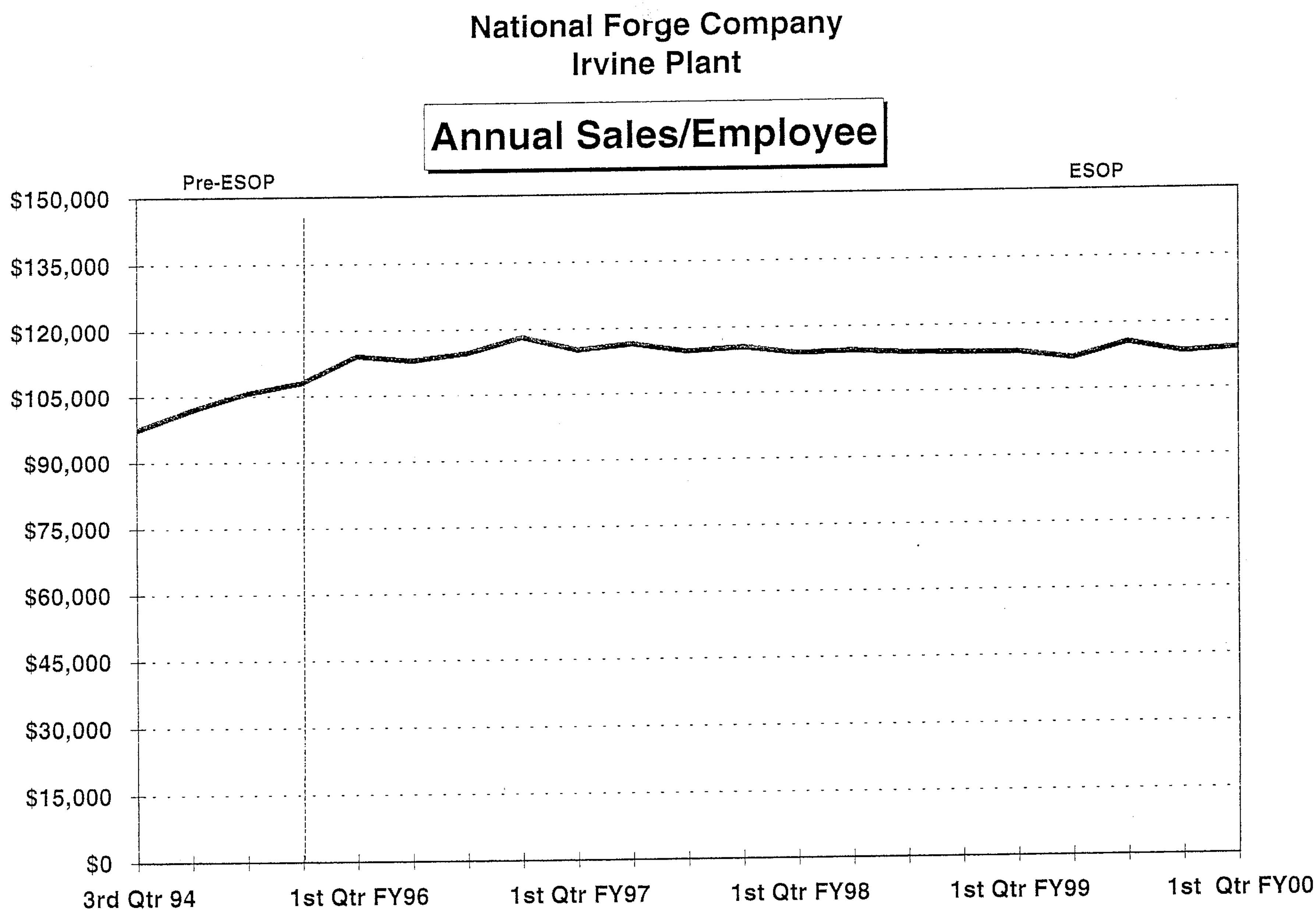
Annual Operating Profit/Employee



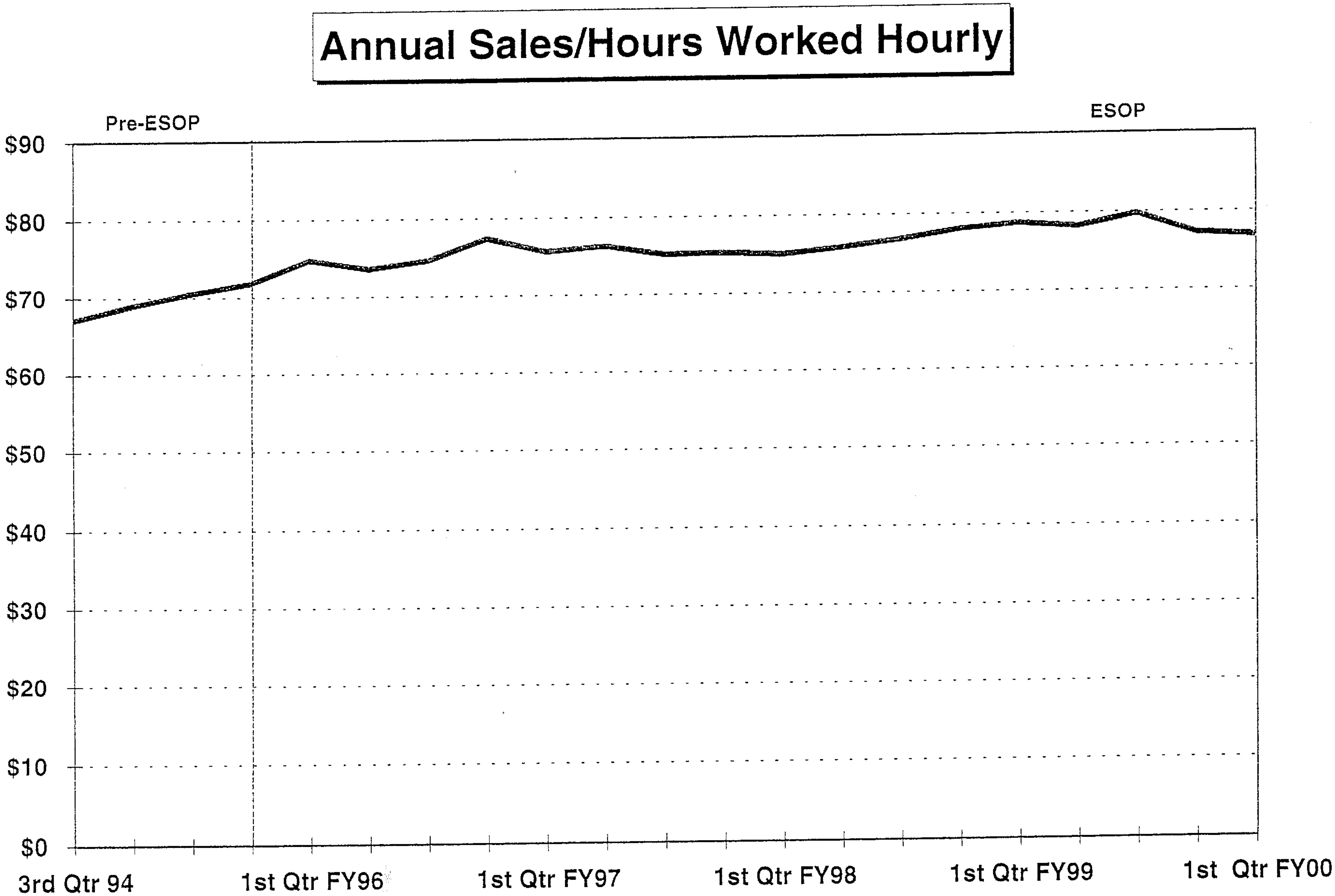
National Forge Company
Irvine Plant

Rolling Twelve-Month Period-Sales and Operating Profit




National Forge Company
Irvine Plant
Annual Sales/Employee
Pre-ESOP
ESOP
$150,000
$135,000
$120,000
$105,000
$90,000
$75,000
$60,000
$45,000
$30,000
$15,000
$0
3rd Qtr 94
1st Qtr FY96
1st Qtr FY97
1st Qtr FY98
1st Qtr FY99
1st Qtr FY00

National Forge Company
Irvine Plant



Operations Overview
Board of Directors Meeting – November 5, 1999

Sales and productivity in July and August were considerably below the Business Plan forecast. The primary reasons were as follows:

- Bookings were below planned levels in April and May. This resulted in production backlogs of approximately $2,000,000 less than planned for the months of July and August.

- An additional $1,060,000 was lost in August sales due to start-up problems associated with the new EAF controls on the melt furnace.

- The major breakdown of two key CNC machines (#002 & #310) resulted in losses of $463,000 in BLU-113s.

- Problems in achieving mechanical properties on the stress joint order for Vetco Gray resulted in a loss of sales totaling nearly $230,000. To overcome this problem it was necessary to subcontract the heat treating operations while repairs were made on our quenching tank.

- In the July-August period it is typically difficult to enhance sales or recover from losses due primarily to start-up problems throughout the Plant that are associated with the major maintenance projects that are conducted during that time.

- To meet the demand for the delivery order of BLU-109s, 14 new employees were added to the production workforce in July and August. These additions greatly increased labor cost, training cost and generally held down production output, utilization and efficiency. This increase in the labor force could not be delayed given the demands for delivery.

- While the above issues had a negative impact on the months of July and August, there was a good improvement in productivity, sales and profits in September. The melting furnace controls are now performing to (near) expectations and we are achieving 95% to 97% of our scheduled melting requirements. There has been a modest increase in bookings and we are projecting the second quarter at or slightly above the Business Plan levels.

- Error and Defect cost for the first quarter were 1.8% of sales. This is an improvement over FY 99's level of 2.2%. The stress joints for Vetco Gray mentioned heretofore are a continuing quality problem. We have recently lost two pieces; one for excessive runout and the second as a result of quench cracks.

- First article testing for the BLU-109s for the Navy is progressing, but considerably slower than expected. A major delay has to do with the specification requirement to verify critical attributes using a CNC coordinate measuring machine. We are required to outsource this requirement. There were programming and equipment problems with the first vendor that could not be solved, resulting in the need to secure a second source. This is now complete but has resulted in several weeks of delay. The first shipments are now planned for December instead of November.

- In the month of September, natural gas prices increased substantially. We had forecasted $2.80 per mcf, the actual rate was $3.40 per mcf. It has since dropped to $3.00 per mcf in October, but we expect that for the period of November through April of 2000, natural gas prices will be 12% to 15% above our forecast.

- Electricity rates are also on the rise. We expect an increase of 18-20% for calendar year 2000.

The major Capital Projects addressed in the first quarter were:

- #169 melt furnace controls
  Installation, start-up and synchronizing.
- #731 CNC Bearing grinder
  Installation will begin in November
- #251 GFM CNC Crankshaft milling machine received from BOST
  Installation began in October.
- Continued development of fillet hardening for crankshafts.

The start-up program for Crankshaft Reconditioning is moving ahead. An existing building on the SPEDD site in Warren (old Struthers Wells property) is in the process of being vacated. We have made a site inspection of this building and find it generally satisfactory. There is approximately 24,000 square feet with new wiring and insulation. There will be a need for machine foundation work, some building repairs and a satisfactory environmental study before a final decision is made. The lease-to-buy costs are considerably lower than a new building and we could be in production several months earlier. State grant money will still apply for the foundation work and some installation costs. We posted bids for the two job descriptions in early October. A total of 30 employees bid for the positions, 4 were selected.

A new process for producing small diameter (2"-10") pipe molds is under study. The idea is to use a forged and rolled bar, and then upset the bell end on the Loewy Press. Preliminary estimates show a potential 10% cost savings per unit.

The second In-House Apprentice Program for machine operators was started on September 14th with a total of 16 employees enrolled.

There are no planned manpower changes in the second quarter.

CRO:gk

NATIONAL FORGE COMPANY
IRVINE PLANT

_LICATION FOR: ADDITION TO PROPERTY, PLANT AND EQUIPMENT NUMBER: P-599

PROGRAM: FY 2000 ORIGINAL DATE: 9/29/99
REV. NO. REV. DATE:

DESCRIPTION OF PROJECT: CONSTRUCT A GARAGE-TYPE STRUCTURE (AIR LOCK) AROUND C/S FINISHING OVERHEAD DOOR FACING WEST TO CONTROL THE VARIATION IN AIR TEMPERATURE IN BAD WEATHER IN DEPARTMENT 641.

PURPOSE: TO CONTROL ENVIRONMENT IN C/S FINISHING AREA AROUND SENSITIVE GRINDING EQUIPMENT.

START DATE: 2ND QTR. 00 EST. COMPLETION DATE: 2ND QTR. 00

ANTICIPATED COST:

MATERIAL OR SUB. CONTR.	INTERNAL LABOR	OVERHEAD	CONTINGENCY	TOTAL
$56,050	$2,600	$6,400	$6,505	$71,555

TIMING OF EXPENDITURE:

CURRENT YEAR:	1ST QTR. %	2ND. QTR. 100 %	3RD. QTR. %	4TH. QTR. %
NEXT YEAR:	1ST QTR. %	2ND. QTR. %	3RD. QTR. %	4TH. QTR. %

JUSTIFICATION: DRASTIC TEMPERATURE CHANGE IS DETRIMENTAL TO ACCURACY AND PRODUCTION OUTPUT AT C/S FINISH GRINDERS.

NET PRESENT VALUE CALCULATION: ____ ATTACHED ____ WAIVED ____ NOT REQUIRED

SPONSOR: CLABBATZ, P

MGR. PLANT & FAC. ENGR.: x/DM 10-1-99

V.P. OPER-IRVINE: CRO 9/29/99

CONTROLLER: JKJackson 10/5/99

PRESIDENT: ____________

BOARD OF DIRECTORS: ____________

CHIEF FINANCIAL OFFICER: ____________ DATE: ____________

NOTIFICATION OF APPROVAL:
DEPT. NO. 740

WORK TO BE DONE BY DEPT/S NO.

EQUIP. NO.:

REQ. NO.:

MATERIAL CHARGE: ____________

LABOR CHARGE: ____________

DISTRIBUTION: SPONSOR/S, M.CASHMAN, G.ENGLISH, T.JACKSON, H.MURPHY, B.NICHOLS, C.OLSON, G.KEEFER, PURCHASING

NATIONAL FORGE COMPANY
IRVINE PLANT

?LICATION FOR: ADDITION TO PROPERTY, PLANT AND EQUIPMENT NUMBER: P-600

PROGRAM: FY 2000 ORIGINAL DATE: 11/01/99
REV. NO. REV. DATE:

DESCRIPTION OF PROJECT: PURCHASE BAIRD DV-6E SPECTROMETER.

PURPOSE: USE THE DV-6E AS THE MAIN ANALYTICAL INSTRUMENT AND THE OLDER DV-2 AS BACK-UP.

START DATE: 3RD QTR. 00 EST. COMPLETION DATE: 3RD QTR. 00

ANTICIPATED COST:

MATERIAL OR SUB. CONTR.	INTERNAL LABOR	OVERHEAD	CONTINGENCY	TOTAL
$73,100			$1,500	$74,600

TIMING OF EXPENDITURE:

CURRENT YEAR:	1ST QTR. %	2ND. QTR. %	3RD. QTR. 100 %	4TH. QTR. %
NEXT YEAR:	1ST QTR. %	2ND. QTR. %	3RD. QTR. %	4TH. QTR. %

?TIFICATION: THE EXISTING MACHINE IS UNDEPENDABLE AND LIMITED SERVICE IS AVAILABLE AND REPLACEMENT PARTS ARE SCARCE. THERE IS NO ALTERNATIVE AVAILABLE BEYOND REPLACEMENT.

NET PRESENT VALUE CALCULATION: _____ ATTACHED _____ WAIVED _____ NOT REQUIRED

SPONSOR: VENAL F

MGR. PLANT & FAC. ENGR.: [signature] 11-2-99

V.P. OPER-IRVINE: [signature] 11/2/99

CONTROLLER: [signature] 11/4/99

PRESIDENT: E R Clark 11/4/99

BOARD OF DIRECTORS: ____________________

CHIEF FINANCIAL OFFICER: ____________________ DATE: ____________________

NOTIFICATION OF APPROVAL:
DEPT. NO. 612

WORK TO BE DONE BY DEPT/S NO.

EQUIP. NO.:

REQ. NO.:

MATERIAL CHARGE: ____________

LABOR CHARGE: ____________

DISTRIBUTION: SPONSOR/S, M.CASHMAN, G.ENGLISH, T.JACKSON, H.MURPHY, B.NICHOLS, C.OLSON, G.KEEFER, PURCHASING

IRVINE
MARKET OVERVIEW

Bookings for the first quarter of FY 00 were $17.6 million against the Business Plan of $13.7 million. Booking results of our major products are: Crankshafts totaled $7 million or $.7 over the plan of $6.3 million. Pipe Molds totaled $5.1 million or $.9 million under the plan of $6 million. Penetrators totaled $2.5 million, which was not in the Business Plan.

CRANKSHAFTS

General Electric continues to forecast a softening in their overall locomotive sales for calendar 2000, however they still maintain their aggressive marketing position with the new 6000 HP HDL engine. They also will continue to pursue the Marine and Power Generation markets. Overall locomotive demand could contract by as much as 6% during calendar 2000.

In November GE may reopen discussions on the current contract in spite of the existing agreement running through December 2000. We understand their goal to be a 10% price reduction effective January 1, 2000. The reduction would likely be comprised of a pure price reduction and then shared productivity savings. Our position will highlight the remaining length of the current agreement, technical service, proximity, quality and our cost reduction efforts that tie into existing contract language. We must be mindful that if negotiations ultimately result in a significant loss of GE business, this would equate to job losses in Irvine. GE also continues their search for another crankshaft supplier. Their team recently returned from China without securing a source and immediately moved into discussions with Ohio Crankshaft. They are scheduled to meet with Kobe the first week of November.

Diesel Locomotive Works in India has issued a multi-year tender for 390 Alco crankshafts. This would be the first of its kind, multi-year contract, if successfully negotiated. It is expected to draw significant interest from Ohio Crankshaft since they will, over the next two years, need added volume for their new multi-direction forging press.

Strong competition between engine builders worldwide has unleashed even greater efforts by the engine builders to reduce their costs and meet their customers' demands. From our perspective this translates to demand for such things as lower prices and inventory programs. In addition, Bergen Diesels in Norway is evaluating whether or not to invest in state-of-the art crankshaft machining equipment or purchase their finish machined crankshaft needs from an existing supplier.

We continue to pursue the Electromotive Division of General Motors (EMD) and the EMD aftermarket. Currently, our product costs make profitable re-entry into this key market difficult but we expect that costs will come down with added volume and experience.

PIPE MOLDS

Domestic bookings exceeded plan by 16% due to increased domestic demand for smaller diameter pipe and a higher than normal mold consumption rate. This has resulted in pipe mold customers requiring shorter delivery times. Simultaneously, customers are requiring tailored service programs like consignment, stocking, and extended payment terms, effectively shifting costs back to the supplier. These actions follow the August report, which noted that increased competition for the pipe business has forced our customers to institute aggressive cost reduction efforts. This provided an ideal climate for our competitors to assert themselves in the domestic market. The combination of the cost reductions efforts plus the emergence of aggressive competition has resulted in all four of our domestic pressure pipe customers ordering trial molds from our main international competitor. Domestic sales accounted for 39% of our quarterly pipe mold sales and a PTP of 9.6%.

Export bookings were under plan by 38% due primarily to intensive international competition, which has depressed prices worldwide and forced us to secure orders at significantly lower prices or in some instances to lose orders. Profitability in the export market has been hardest hit with a first quarter loss of 19.3%. Export sales accounted for 61% of our sales. We estimate that since July 1998 nearly 10% of our worldwide market share has moved to competitors. Customers in Europe, China, Brazil, India, Australia, Malaysia, United Kingdom and the United States have either: placed trial orders with our new competitor to begin the evaluation process; used the competition's very low pricing as leverage against National Forge or have placed production orders with the competition. Unless we arrest the current situation, greater loss in market share and profitability will be the trend for FY 01 as domestic customers become more comfortable with the performance, service and reliability of our main international competitor.

PENETRATORS

The BLU-109 penetrator business continues to be strong. In June we were awarded a $6 million contract from the U.S. Government for 767 BLU-109 units for delivery by June 2000. In August we received a contract valued at $2.5 million for 210 BLU-109 units destined for France with delivery to be complete by March 2000.

Our forecast for BLU-109s continues to include another potential order from the U.S. Government for the US military of nearly 200 units and foreign military requirements, through the U.S. Government, for nearly 800 units. We expect these requirements to be competitively bid in the open market.

Longer-term demand continues to include BLU-109s for the Joint Direct Attack Munition (JDAM) guidance tail kit. Under consideration are BLU-109 quantities ranging from 10,000 to over 20,000 units to be purchased over a four or five fiscal year period beginning after October 2000. After we responded to a recent U.S. Government capacity

survey, the government has raised their view of our projected capacity from one-third to one-half of the potential JDAM requirements.

BUSINESS DEVELOPMENT

We continue to pursue the BLU-116 as part of the team with Lockheed Martin. Valued at nearly $4 million, the program has recently developed funding problems. A strategy to gain political support for the program is currently being developed and could be implemented in the second quarter.

A contract with the U.S. Air Force is expected for the Dual Use Science & Technology (DUST) program. We are waiting for the FY 00 defense budget to be passed and allocated before the contract can be signed. This contract will be for National Forge and the Air Force to develop both defense and commercial applications for a new material.

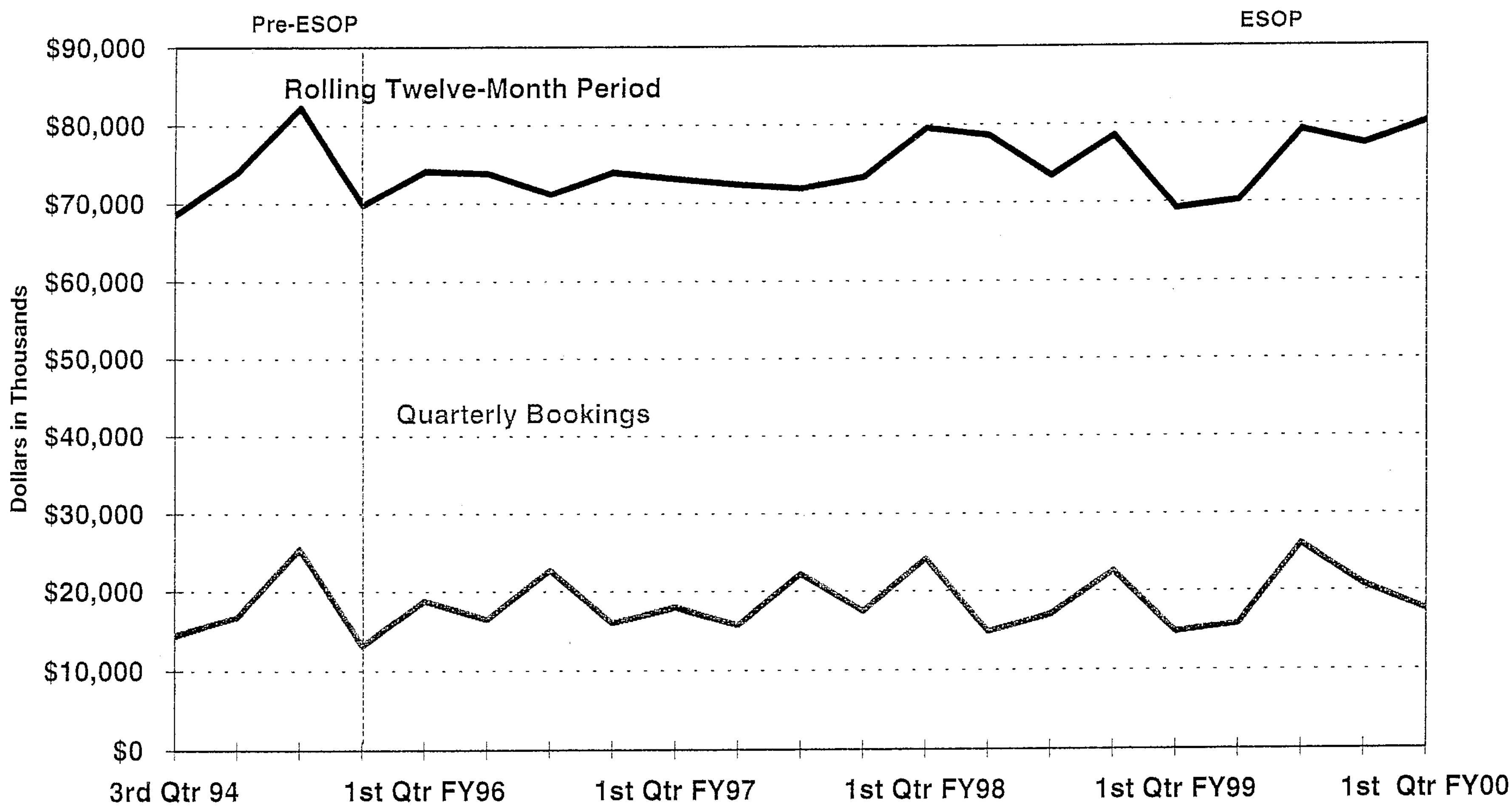
Discussions are underway with the U.S. Air Force on the potential redesign of the BLU 113 as part of the government's Hardened and Deeply Buried Target Study. This will be a three to five year program for engineering, manufacturing and development prior to production.

Target destruction evaluations from the war in Kosovo show key bunkers still intact after heavy bombardment by available conventional weapons. The apparent weakness in the U.S. conventional inventory has led to renewed interest in BIG BLU, a 20,000 to 30,000 pound penetrator currently under development. We are involved in discussions among industry leaders to field such a warhead.

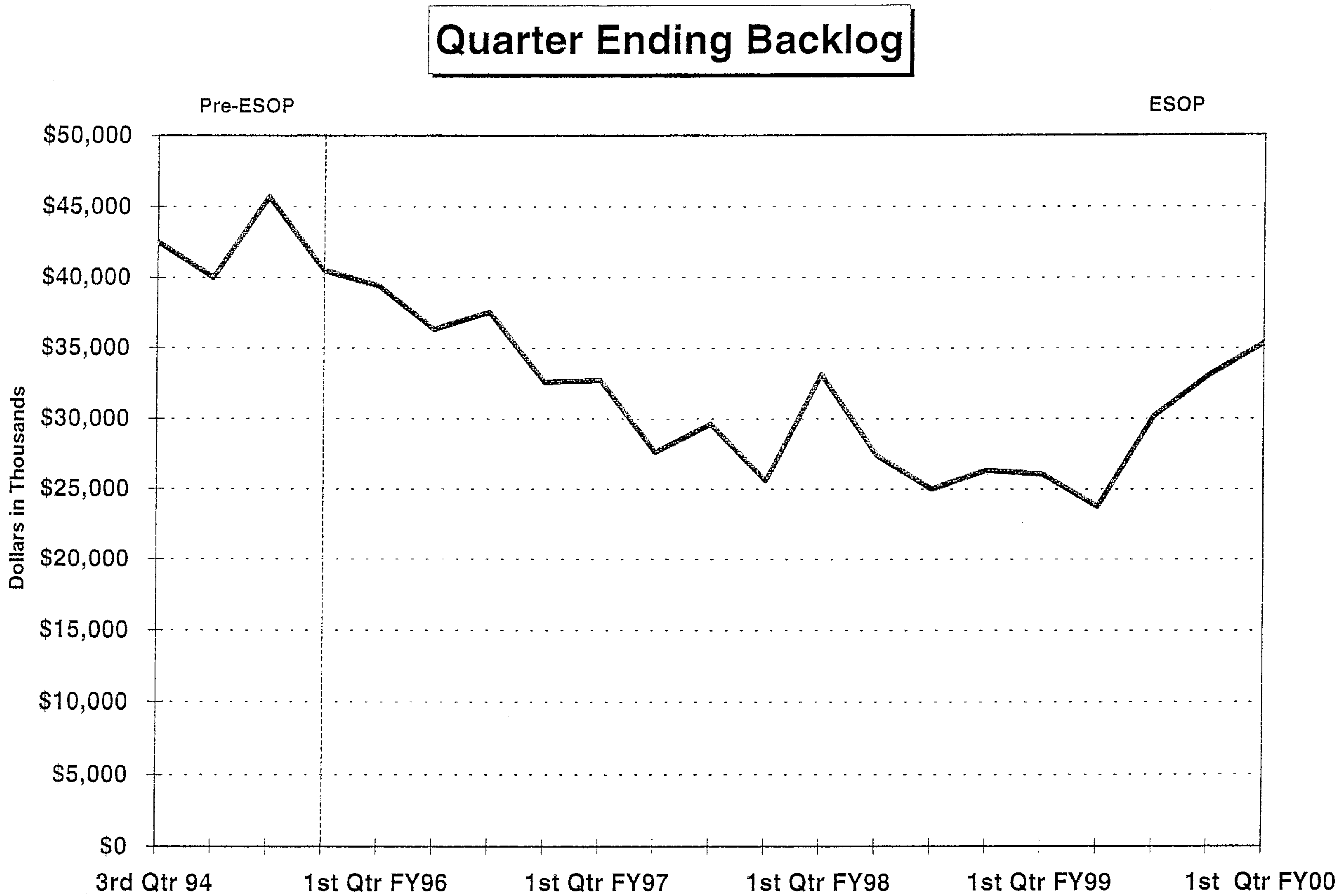
The Watervliet Arsenal opportunity continues to gain momentum with the most recent news that United Defense may broaden the alliance by teaming with defense industry giants General Dynamics and British Aerospace. For us as a subcontractor, the addition of these three major defense companies would provide direct interface with them enabling insight into possible future opportunities.

National Forge Company
Irvine Plant

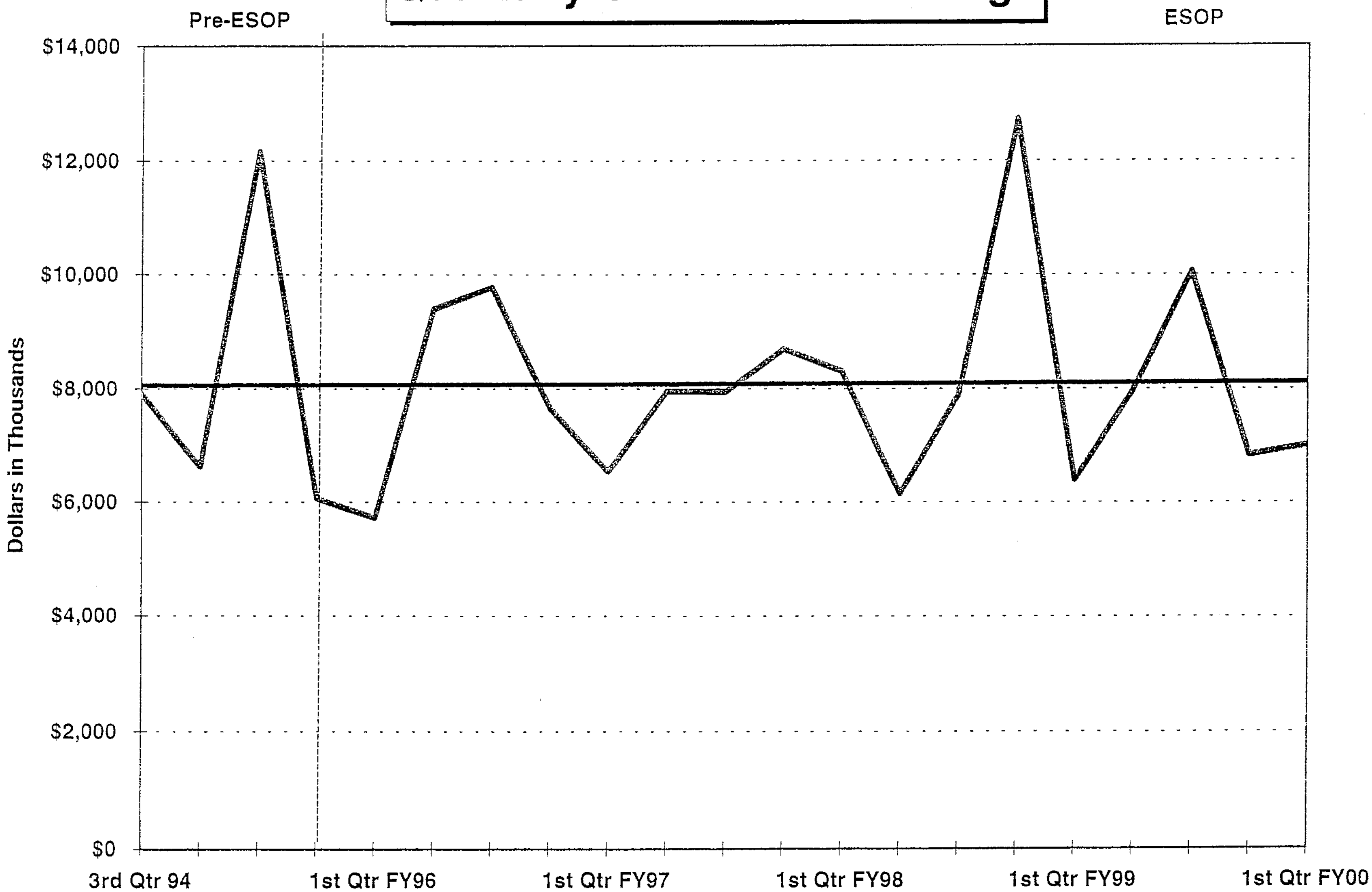
Bookings

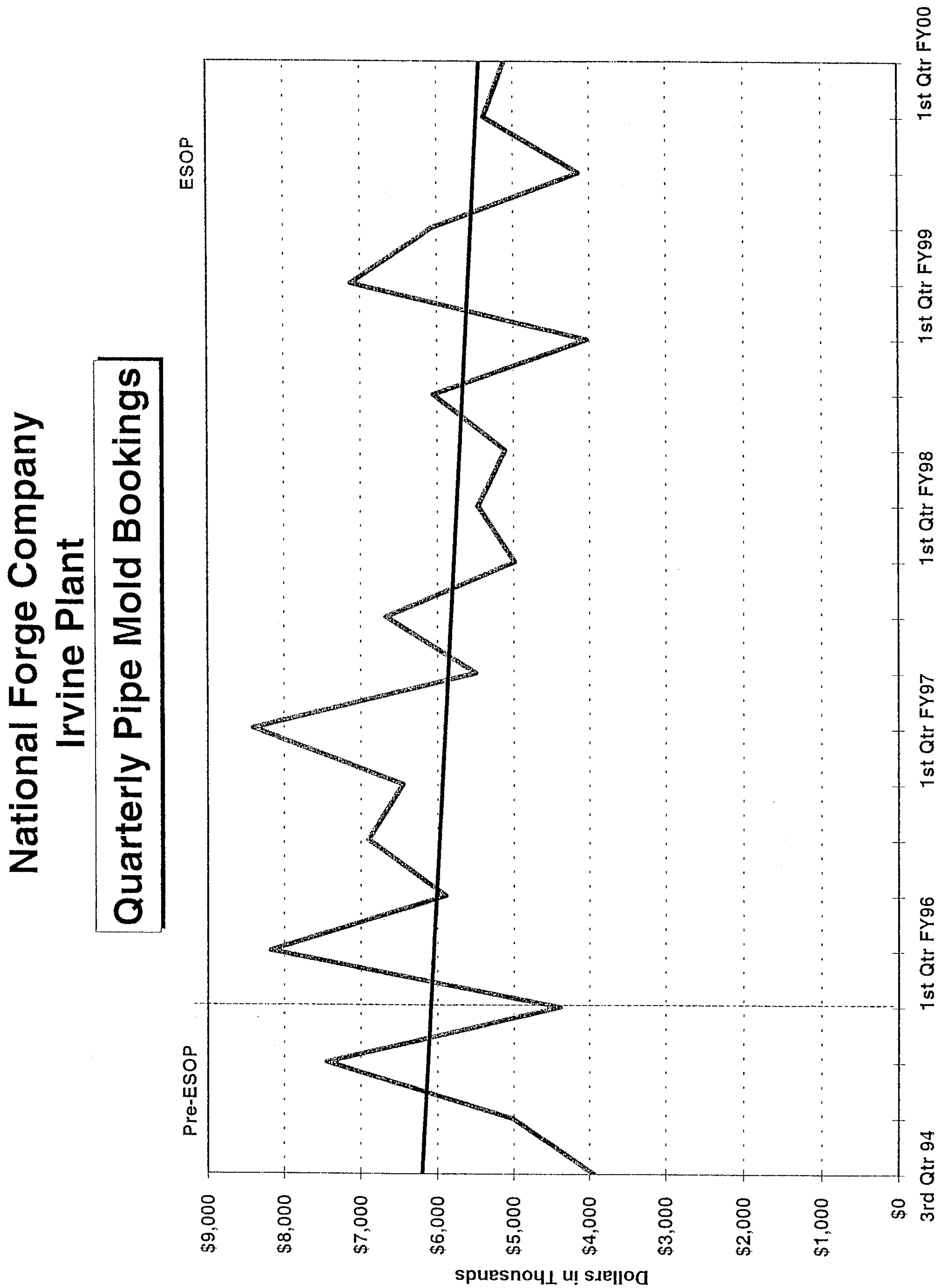


National Forge Company
Irvine Plant

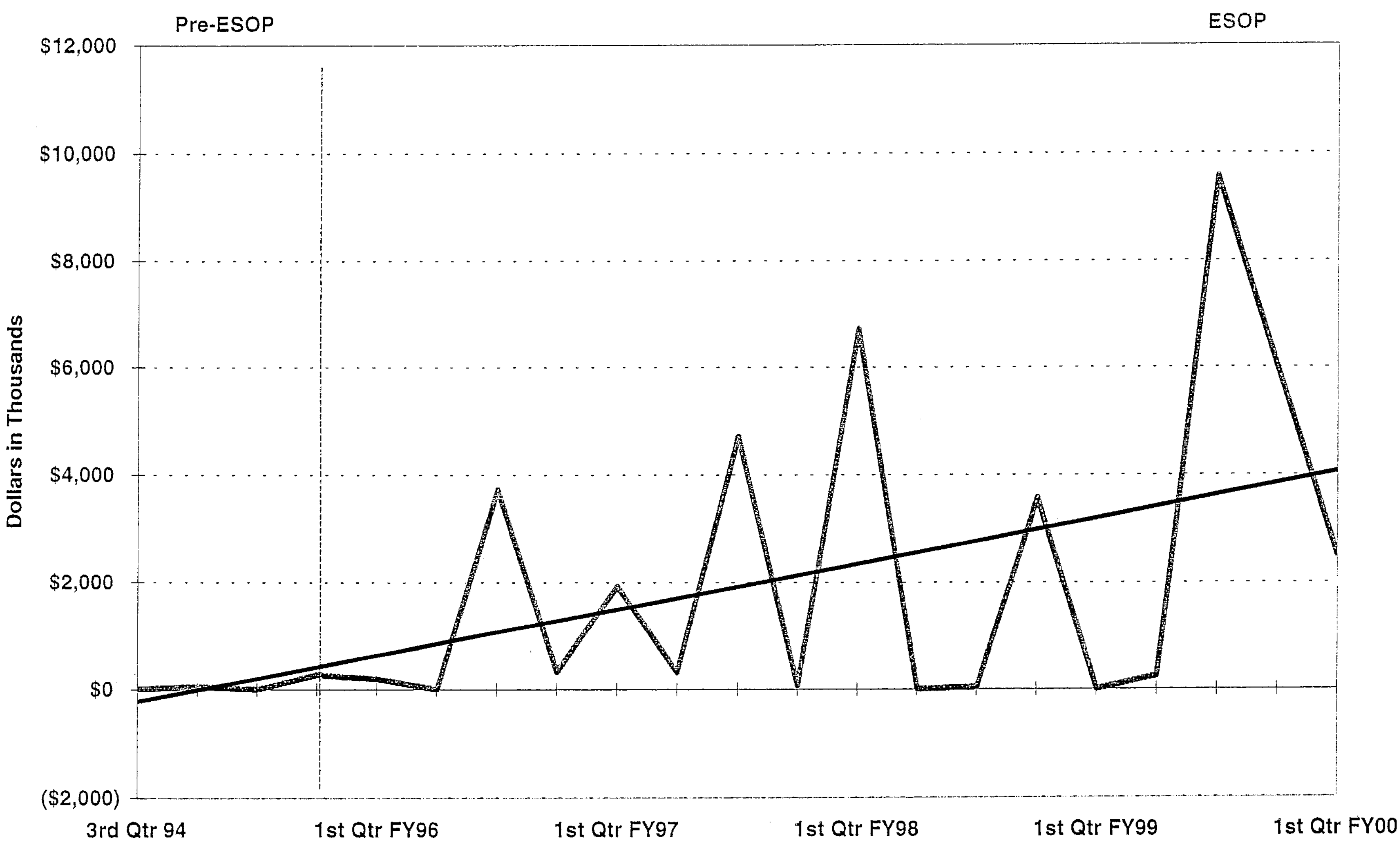


National Forge Company
Irvine Plant
Quarterly Crankshaft Bookings

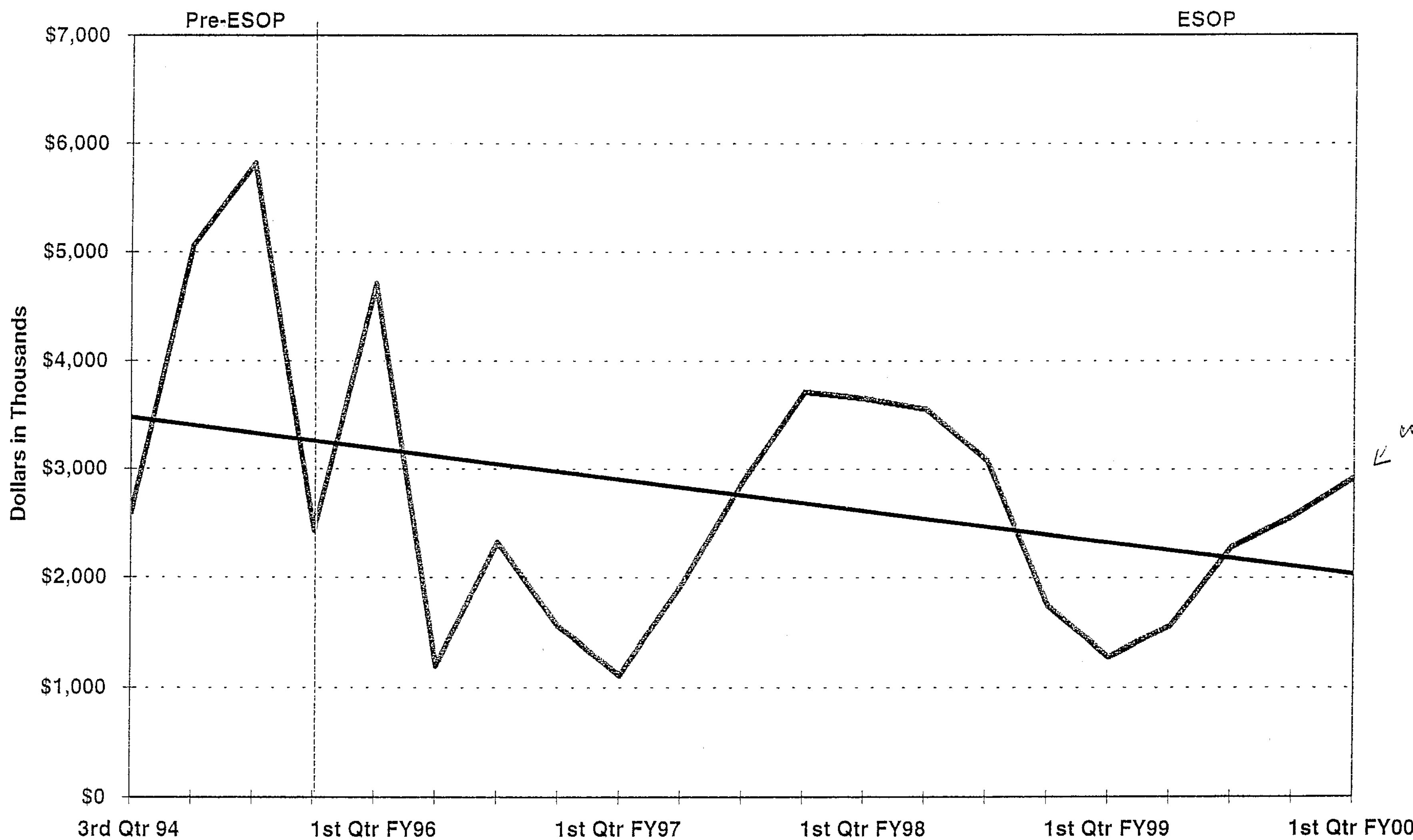


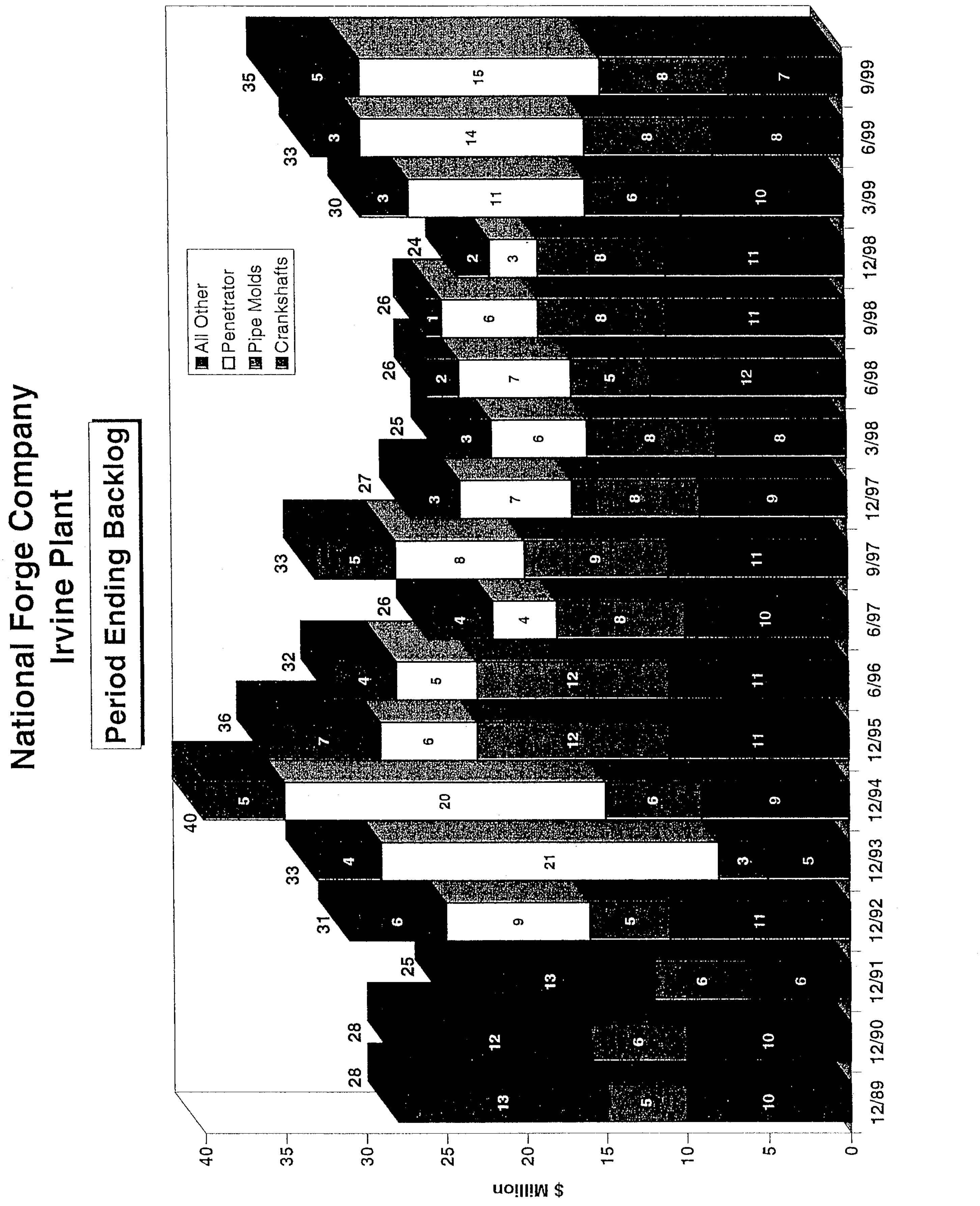

National Forge Company
Irvine Plant
Quarterly Pipe Mold Bookings
Pre-ESOP
ESOP
Dollars in Thousands
$9,000
$8,000
$7,000
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$0
3rd Qtr 94
1st Qtr FY96
1st Qtr FY97
1st Qtr FY98
1st Qtr FY99
1st Qtr FY00

National Forge Company
Irvine Plant
Quarterly Penetrator Bookings



National Forge Company
Irvine Plant
Quarterly All Other Product Bookings




National Forge Company
Irvine Plant
Period Ending Backlog
All Other
Penetrator
Pipe Molds
Crankshafts
$ Million
0
5
10
15
20
25
30
35
40
12/89
12/90
12/91
12/92
12/93
12/94
12/95
6/96
6/97
9/97
12/97
3/98
6/98
9/98
12/98
3/99
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P217

National Forge Company
Irvine Plant
Sales Mix in Dollars